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C O N F I D E N T I A L TUNIS 000208

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STATE FOR EB, NEA/PI (S.FRANCESKI) AND NEA/MAG (W.LAWRENCE)  
TREASURY FOR U/S TIMOTHY ADAMS  
PASS TO COMMERCE ITA/MAC/ONE (T.CHEGUER) AND CLDP (M.TEJTEL)  
PASS TO USTR (D.BELL)  
PASS TO USPTO (M.ADLIN)  
CASABLANCA FOR FCS (R.ORTIZ)

E.O. 12958: DECL: 02/02/2016  
TAGS: [ECON](#) [EFIN](#) [EFTA](#) [ETRD](#) [TS](#)  
SUBJECT: TIFA UPDATE: MINISTER JOUINI EXPRESSES HOPE TO U/S  
ADAMS FOR PROGRESS IN 2006

REF: A. 05 TUNIS 2775 (JUDICIAL EXCHANGE PROGRAM)

- [1](#)B. 05 TUNIS 2433 (OIL IMPACT)
- [1](#)C. 05 TUNIS 1495 (TIFA WRAP-UP)

Classified By: Ambassador William J. Hudson; Reasons 1.4 (b), (d)

[1](#)1. (SBU) Summary. Treasury Under Secretary Timothy Adams' January 30 meeting with Development Minister Jouini discussed ways to move forward our Trade and Investment Framework Agreement (TIFA) process in 2006. Ambassador noted the Ministry's feedback on USTR discussion papers, which spotlighted areas of divergence as a good start for more constructive TIFA discussions in 2006. Jouini also requested increased technical assistance to help Tunisia confront significant economic reform challenges ahead. Post supports increased engagement and technical assistance to encourage the GOT's economic reform plans. End Summary

[1](#)2. (SBU) In a January 30 meeting with Treasury Under Secretary Timothy Adams, Minister of Development and

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International Cooperation Jouini reiterated the GOT's primary preoccupation with boosting employment and consolidating economic reforms made in the past decade. As part of the GOT's medium-term strategy, Jouini stated that he "looks forward" to a Free Trade Agreement (FTA) with the U.S., following similar agreements with the European Union and Turkey, though he noted looming and "very critical" challenges to boost GDP growth from Tunisia's current 5 percent to 6 percent over the next five years, and further to 6.5 percent for the 2011-16 period.

[1](#)3. (SBU) Jouini explained Tunisia's coming transformation will be paradoxical -- boosting employment while increasing productivity and competitiveness, with the latter steps likely implying jobs losses -- and will not be easy. Jouini stated that world energy prices spikes in 2005 have also cost the GOT nearly USD 1 Billion in governmental subsidies to soften consumer price impacts, despite four rises in state-controlled retail prices in the past year (See Ref B for more on oil price impacts). Jouini noted these factors are imposing severe strains on the GOT's budgetary

flexibility.

¶4. (SBU) Jouini asked U/S Adams for more specific technical assistance aimed at opening Tunisia's markets; he also asked for ways to transfer management expertise and capacity building to support efficient implementation of economic

reforms. Ambassador Hudson noted the GOT's recent written feedback on USTR's working group discussion papers and said the GOT's serious progress to engage on TIFA issues, which have previously been gradual in their progress, could help discussions in 2006. Jouini expressed hope that TIFA discussions would move quickly in 2006 to help increase Tunisia's private sector development and promote the general investment climate in the Middle East North Africa (MENA) region.

Comment

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¶5. (C) Minister Jouini's latest comments on the U.S.-Tunisia TIFA dialogue are the strongest and most forward-leaning we've heard since the second TIFA Council in July 2005 (REF C) and his newfound appreciation for the necessity of economic reform should be encouraged with targeted, enhanced TIFA-engagement in the near term. Jouini's posture is without doubt influenced by a growing sense that globalization and demographic movements are exposing Tunisia to significant challenges with little alternative other than to liberalize its economy to attract more foreign investment. Recent media reports have also noted declines in private sector business confidence and the significant financial barriers for start-up entrepreneurs that may be contributing to a growing sense of urgency.

¶6. (C) Jouini's call for closer TIFA-engagement in the near-term presents us with an opportunity to build on programs such as our recent workshop with the Tunisian judiciary on bankruptcy reform (REF A) that incorporates

themes on the rule of law, transparency, and separation of powers. This workshop involved judge-researchers from Tunisia's Ministry of Justice and legislative think-tank, which reviews all pending Tunisian legislation and is a key body for effecting legal reform in Tunisia. Through this judicial exchange, we achieve a measure of success in an otherwise extremely recalcitrant political context. Post therefore recommends that NEA/PI and USTR consider releasing additional funding (previously designated under MEPI's Commercial Law Development Program's "Compliance with Trade Agreements") to galvanize the TIFA process and unleash economic reform programs with political impact. With U.S.-Tunisia bilateral trade still at modest levels and Tunisia's imminent economic challenges, a "tough love" approach insisting on continued economic reform, coupled with USG assistance in the process, offers a wise course that will ultimately benefit both countries in trade and investment, as well as serving our broader agenda in the political realm.

¶7. (U) U/S Adams has not cleared this cable.  
HUDSON